

Service Date: September 29, 1976

BEFORE THE UTILITY DIVISION

DEPARTMENT OF PUBLIC SERVICE REGULATION  
MONTANA PUBLIC SERVICE COMMISSION

IN THE MATTER OF the	)	
Application of PACIFIC POWER	)	Docket No. 6418
AND LIGHT COMPANY for Authority	)	Order No. 4288
to Increase Water Rates.	)	

On November 14, 1975, PACIFIC POWER AND LIGHT COMPANY (Applicant) filed an application with this Commission for authority to increase water rates. A hearing on the application was held on June 24, 1976, in Libby, Montana.

APPEARANCES

For the Applicant:

Leonard A. Girard, Attorney at Law, Rives, Bonyhadi and Drummond,  
1400 Public Service Building, 920 Southwest Sixth Avenue,  
Portland, Oregon 97204

C. Eugene Phillips, Attorney at Law, Murphy, Robinson, Heckathorn &  
Phillips, One Main Building, Kalispell, Montana 59901

For the Consumer Counsel:

Geoffrey L. Brazier, Attorney at Law, Montana Consumer Counsel,  
330 Fuller Avenue, Helena, Montana 59601

For the Commission:

Dennis Lopach, Deputy Administrator, Public Service Commission,  
1227 Eleventh Avenue, Helena, Montana 59601

BEFORE:

George Turman, Commissioner  
The Commission, having taken evidence and being fully advised in the premises,  
makes the following findings, conclusions and order:

FINDINGS OF FACT

1. That Pacific Power and Light Company (Pacific or Applicant) is a public utility furnishing water service in the state of Montana subject to the jurisdiction and authority of the Commission.
2. That on November 14, 1975, Pacific filed an application to increase its rates for water service in Libby, Montana.
3. That a hearing to receive Pacific's direct evidence, and to allow cross-examination and presentation of evidence by all other parties was held on June 24, 1976 in Libby, Montana.
4. That at such hearing Pacific was represented by its counsel, C. Eugene Phillips and Leonard A. Girard; Consumer Counsel, Geoffrey L. Brazier, appeared; and the Commission was represented by its counsel, Dennis Lopach.
5. That Pacific's proposed test year, using actual data for the year ending December 31, 1974, is reasonable and is accepted.
6. That Pacific's actual operating revenues from Libby, Montana water customers during the test year were \$153,655.
7. That Pacific's operating revenue deductions directly incurred and as assigned and allocated to its Libby, Montana water operations during the test year were \$161,240.
8. That Pacific's proposed adjustments reducing test year operating revenue

deductions at Libby, Montana by \$24,229 are accepted.

9. That Pacific's adjusted operating revenue deductions during the test year for Libby, Montana were \$137,011.

10. That Pacific's adjusted Libby, Montana net operating revenues during the test year were \$16,644, under existing rate schedules.

11. That the adjusted net operating revenues under present rate schedules produced a rate of return which is neither adequate, fair nor reasonable.

12. That the existing schedule of rates and charges will not provide Pacific with a fair return on the value of its water properties devoted to its Libby, Montana water customers, based on the test year.

13. That the present rates and charges must be increased to provide Pacific with an opportunity to earn a reasonable return on the value of its Libby, Montana water properties for the test year.

14. That the rates proposed by Pacific will produce net operating revenues of \$73,352 and a rate of return from the Libby, Montana water operations, which will not exceed a fair and reasonable return on the value of Pacific's Libby, Montana water properties for the test year.

15. That Applicant submitted no allocated cost of service studies for either the Bigfork or Libby water systems in these proceedings. As a consequence, the Commission has no way of determining the relative rate of return earned by Pacific on its several classes of service.

16. That Applicant's witnesses knew of no cost studies prepared for earlier

proceedings.

17. That Applicant proposes to spread any increased revenues authorized herein on a uniform percentage basis to all classes of its customers.

18. That this approach would, without justification in the record, create an even greater disparity in rates paid by different classes of customers than now exists.

19. That a more reasonable approach, in the absence of allocated cost of service studies for each service area, is to spread the increase on a volumetric basis.

20. That the increase in Libby revenues under proposed rates, generated upon sales of approximately 300,479,000 gallons of water is \$76,372. Subtracting from this figure the \$2,971 fixed charge for hydrants results in a figure of \$73,401. Spread upon a volumetric basis, the increase in rates would be \$.2443 per 1,000 gallons.

#### CONCLUSIONS OF LAW

1. That the Commission has provided proper notice and opportunity for participation in this proceeding by all interested parties, including the Consumer Counsel, members of the public, and their representatives, in accordance with Montana law.

2. That the rates and charges and the rate structures authorized herein are just and reasonable.

3. That in the absence of allocated cost of service data in the records, a volumetric rate increase is justified.

NOW, THEREFORE, the Public Service Commission orders that:

1. Pacific file schedules for its Libby water system which will permit it to earn net operating revenues of \$73,352.
2. The above-authorized increase in rates shall be collected upon a uniform, constant volumetric increase to all classes of customers. The minimum charge shall be raised to bear a proportionate part of the increase.

DONE IN OPEN SESSION at a meeting of the Public Service Commission on September 1, 1976, by a vote of 4 - 0 with Commissioner George Turman voting at a later time to concur.

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GEORGE E. BOLLINGER, Chairman

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P.J. GILFEATHER, Commissioner

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THOMAS G. MONAHAN, Commissioner

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JAMES R. SHEA, Commissioner

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GEORGE TURMAN, Commissioner

ATTEST:

Gail E. Behan  
Secretary

(Seal)

NOTICE: You are entitled to judicial review of this Order. Judicial review may be obtained by filing within thirty (30) days from the service of this Order, a petition for review pursuant to Section 82 - 4216, R. C. M. 1947.